DSMC Hosts First-Ever PEO/SYSCOM Commanders' Workshop

"Product Support and Commercial Business Environment"

C. TYLER JONES

G reek philosopher Heraclitus once said, "Nothing is permanent but change." No place is this more evident than within the Department of Defense. To meet warfighters' future needs for mobilization and sustainment, the Department is transforming its mass logistics system into a highly agile and reliable system that delivers logistics support "on demand."

Because no military model exists, DoD has turned to the commercial marketplace to learn how "world-class firms" effectively and efficiently deal with various logistical issues. A recent forum where these issues were discussed was the first-ever PEO/SYSCOM Commanders' Workshop at the Defense Systems Management College, Fort Belvoir, Va., April 13 – 14.

The college's commandant, Navy Rear Adm. Leonard "Lenn" Vincent, greeted more than 300 participants, including senior acquisition and logistics policymakers, managers in the defense establishment, and representatives from industry by saying the theme of "Product Support and Commercial Business Environment" describes exactly the culture DoD needs to be moving into.

"The basis for this transformation is the belief that DoD could emulate the practices that make commercial businesses successful. Not that the government can

FROM LEFT. NAVY REAR ADM. LENN VINCENT, DSMC COMMANDANT; DR. JACQUES S. GANSLER, UNDER SECRETARY OF DEFENSE (ACQUISITION & TECHNOLOGY); RETIRED AIR FORCE LT. GEN. TOM FERGUSON, SENIOR PARTNER, DAYTON AEROSPACE, INC.; STAN SOLOWAY, DEPUTY UNDER SECRETARY OF DEFENSE (ACQUISITION REFORM) AND DIRECTOR, DEFENSE REFORM.

ARMY MAJ. GEN. AL SULLIVAN

Jones is editor, Program Manager magazine, Visual Arts and Press Department, Division of College Administration and Services, DSMC.

Photos by Richard Mattox

Air Force Col. Rosanne "Ro" Bailey, Air Armament Center

> **The challenge is to change the process and the infrastructure that was very good for the 20th century, but is, I truly think, out of sync with the 21st century.**
>
> **–Dr. Jacques S. Gansler**

Navy Vice Adm. John A. Lockard, Naval Air Systems Command

Vicky Farrow, Chief Learning Officer, Lucent Technologies, Inc. As luncheon speaker on Day 2 of the Workshop, Farrow spoke on "Responding to Change: A Lucent Technologies Program for Growth."

Navy Vice Adm. James Amerault, Deputy Chief of Naval Operations (Logistics) (OPNAV N4). Amerault served on the Senior Leadership Panel.

or should operate exactly like those businesses, but we have to instill in our workforce some of those cultural values that make our United States economy the envy of the world."

Vincent said that although "we initiate this process with our students right here in the classrooms [and that] Dr. Gansler has stated that training our workforce in new ways of doing business must be our No. 1 priority," nearly half of the 9,000 students (per year) who take classes here "feel that they are not going to be able to go back to their work

SPRING 1999 PEO/SYSCOM

Commercial Operations & Support Savings Initiative (COSSI) Exhibit.

Air Force Maj. Gen. Claude Bolton, AF Program Executive Officer for Fighter and Bomber Programs. (Bolton is a former DSMC Commandant.)

Donna Richbourg, Principal Assistant Deputy Under Secretary of Defense (Acquisition Reform); Navy Rear Adm. Lenn Vincent, DSMC Commandant.

Dr. Spiros Pallas, Principal Deputy to the Director, Strategic & Tactical Systems, OUSD(A&T). Pallas chaired a Breakout Group on "Improving Reliability, Maintainability, and Sustainability Through Continuous Technology Refreshment (CTR)"
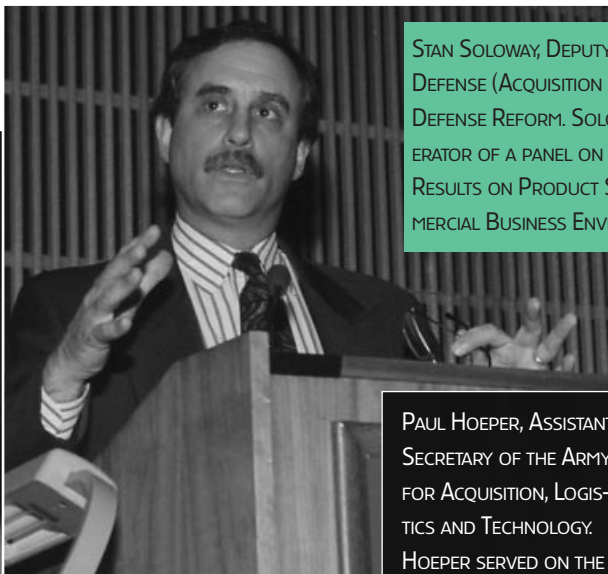
Panel on "Industry and Government Views of Price Based Acquisition." From left: William "Bill" Stussie, Deputy Assistant Secretary of the Navy (Air Programs), and Panel Moderator; Karen
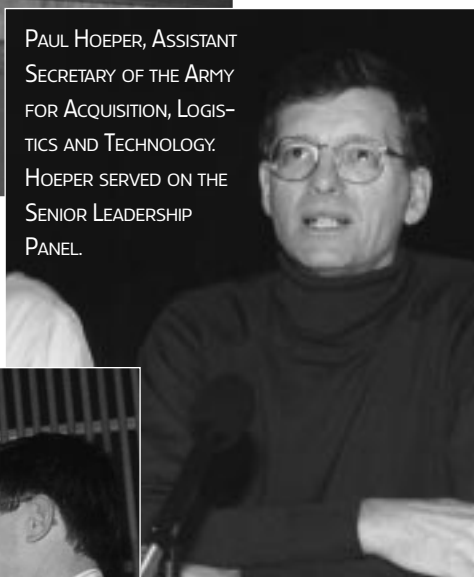
PEO/SYSCOM
COMMANDERS'
WORKSHOP

APRIL 13

Stan Soloway, Deputy Under Secretary of Defense (Acquisition Reform) and Director, Defense Reform. Soloway served as moderator of a panel on "Summary of 912c Results on Product Support and the Commercial Business Environment."

Paul Hoeper, Assistant Secretary of the Army for Acquisition, Logistics and Technology. Hoeper served on the Senior Leadership Panel.

Air Force Col. Larry "Scoop" Cooper, Special Assistant to the Service Acquisition Executive for Total Ownership Cost, and Director, Secretary of the Air Force (Acquisition), Reduction in Total Ownership Cost Office. Cooper co-chaired a Breakout Group on "PM Oversight of Life Cycle Cost Support."

Wilson, Vice President, Government Finance and Process Excellence, AlliedSignal, Inc.; Terry Marlow, Vice President, Government Division, Aerospace Industry Association of America, Inc.; Air Force Maj. Gen. Timothy Malishenko, Commander, Defense Contract Management Command.
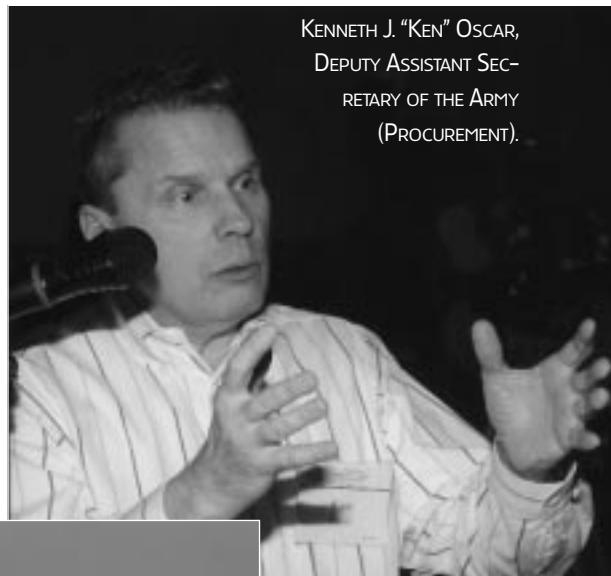

Panel on "Summary of 912c Results on Product Support and the Commercial Business Environment." From left: Stan Soloway, Deputy Under Secretary of Defense (Acquisition Reform), Director, Defense Reform, and Panel Moderator; Louis Kratz, Director, Logistics Systems Reengineering; William "Bill" Mounts, Director, International & Commercial Systems Acquisition; Robert Leach, Officer of the Director, Systems Acquisition.

- 14 1999

Kenneth J. "Ken" Oscar, Deputy Assistant Secretary of the Army (Procurement).

Open Systems Joint Task Force Exhibit

Principal Deputy Under Secretary of Defense (Acquisition & Technology), David Oliver. Oliver served on the Senior Leadership Panel.

Lee Buchanan, Assistant Secretary of the Navy (Research, Development & Acquisition). Buchanan served on the Senior Leadership Panel
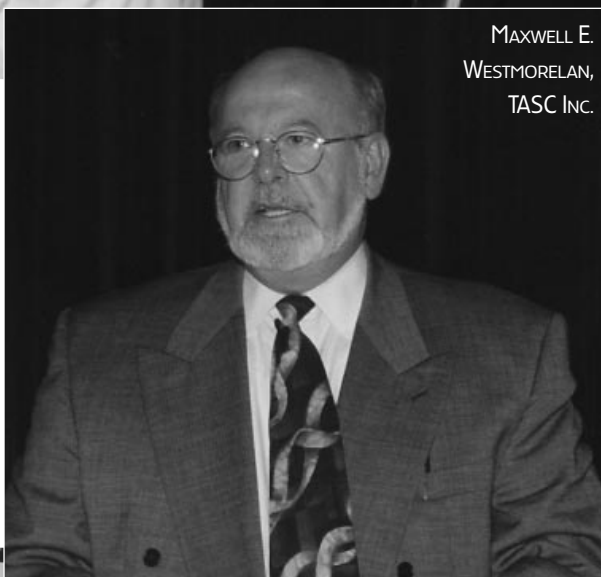
Comanche Exhibit

PEO/SYSCOM COMMANDERS' WORKSHOP

APRIL 13

COMMANDERS' WORKSHOP

Maxwell E. Westmorelan, TASC Inc.

Air Force Lt. Gen. Gregory S. Martin, Principal Deputy, Office of the Assistant Secretary of the Air Force for Acquisition, served on the Senior Leadership Panel.

BOEING

Innovation for higher levels of performance and lower costs

- 14 1999

The Boeing Company Exhibit

place and use these newly acquired tools and techniques because they don't believe their culture will allow them to.

"That's the challenge ... you have, and it's workshops like these that enable all of us to allow our workforce to make the transformation that is so necessary today."

Another transformation taking place is the workshop itself. Based on feedback from the October 1998 PEO/SYSCOM Commanders' Conference, the April event was reoriented from a conference to a workshop focused on a specific topic. Plenary sessions and breakout groups were organized around a number of key follow-up issues from two Section 912c studies, resulting in the theme of "Product Support and Commercial Environment."

Adding New Tools to the Tool Chest

In his keynote speech, Dr. Jacques S. Gansler, Under Secretary of Defense (Acquisition and Technology), explained to the participants that he needs their help in giving program managers the tools they need to succeed in changing the way DoD does business.

Gansler made it clear that although DoD is undergoing a transformation, the current support processes are not broken. "In fact, I think the processes have enabled us to successfully support warfighters and the weapon systems throughout the 20th century." He explained that current problems come from using outdated tools and processes in a changing world.

"The challenge is to change the process and the infrastructure that was very good for the 20th century, but is, I truly think, out of sync with the 21st century." He said, "The current processes — the historic processes if you will — were driven by the need to maintain the high readiness levels of a forward-deployed force to deter what was a dominant threat. They were relatively slow, they were expensive in terms of transportation, they had limited com-

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>
> **—Navy Rear Adm. Lenn Vincent**

munications, and they were basically paper-driven processes.

"Those factors drove us to develop and to nurture a multi-echelon support structure that was optimized to return serviceable reparables to operating forces in a relatively short time. Today that structure is built up to involve 21 maintenance depots, 16 inventory control points, 19 distribution centers, and one of the most striking statistics is that it is supported by over 450 separate non-interoperable logistics information systems. It consumes over $80 billion a year and involves over a million civilian and military personnel."

Gansler pointed out that, "Despite these very high expenditures, we continue to suffer from very long logistics response times — over 30 days — that's when it's on the shelf. And what is really scary about that is that there is a huge variability in the Service response times across the pipeline and in some cases up to two years."

According to Gansler, "The most compelling reason to transform this structure is that it's nonresponsive to the needs of our forces. Unlike the 20th century, the Joint Staff focuses on very different geo-political, economic, and military factors in the 21st century." He added that DoD is going to see more distributed threats that will be defeated only by highly agile forces.

"Essentially we're facing a strategy of force projection versus forward deployment." He explained that DoD needs a system that is relatively inexpensive, but is rapid in terms of transportation responsiveness. In particular, he said, "we need it robust, we need it secure, and we need it on a digital basis." In many cases, he said, opposing forces can get equipment faster than DoD can from the commercial world or from the world arms market.

Gansler said for this reason and many more, DoD must accelerate ongoing Service efforts in the support area. "We have to draw upon the recent successful practices of the commercial sector. We have

to create a cultural environment that encourages, incentivizes, and rewards these transformation efforts."

Gansler said DoD must learn from world-class firms because "they carry 60 percent less inventory; they meet scheduled delivery dates 17 percent more often; they meet customer requested dates 90 percent of the time; and they spend 45 percent less on supply-chain costs." He added that, "These firms are highly responsive, agile, and fully integrated. Exactly the characteristics we need for the 21st century."

Although DoD has set forth some initiatives and is making progress in the area of product support, Gansler pointed out five actions DoD must take for the transformation to be considered successful:

• Rapidly proliferate best commercial practices across our product support processes, with a clear focus on customer service.
• Develop and implement competitive product support strategies for all major weapon systems by 2005.
• Reform our reprocurement practices to exploit rapid reliability enhancements in the commercial sector.
• Provide our program managers with the tools and incentives necessary to achieve visibility and control of life cycle costs.
• Greatly expand the use of prime vendor and virtual prime vendor for those common items that are cost-effective candidates for corporate buys.

Before those actions can succeed, Gansler said there must be a framework. To start building that framework, DoD must foster the development of a competitive supplier base for product support services; reengineer existing financial processes to facilitate integrated product support while providing realistic cost to output information; and modernize DoD's logistics information systems to enable seamless, secure delivery of product support services across government and industry.

After his speech, Gansler fielded a variety of questions from the audience.

Questions ranged from topics such as "What makes you believe that 20-percent reduction is feasible for logistics by 2005?" to "How do you see the program managers exercising visibility and control over O&M [Operations and Maintenance] funds in the future?"

Important Next Steps
"We [DoD] must get our workforce oriented toward a completely different way of doing business," said Stan Soloway, Deputy Under Secretary of Defense (Acquisition Reform). Soloway was the moderator for the first panel, which discussed a summary of 912c Results on Product Support and the Commercial Business Environment. Panelists included Robert Leach, Office of the Director, Systems Acquisition; Louis Kratz, Director, Logistics Systems Reengineering; and William Mounts, Director, International and Commercial Systems Acquisition.

Leach started the panel by explaining that his 912c study team, Program Manager Oversight of Life Cycle Cost, was given their "task from Acquisition Reform. But, we know it's not an OSD task; it's a Service-oriented [and] -led task." He said the Program Manager Oversight of Life Cycle Cost Study (PMOLCS) recommendations will only work if the Services support them.

When given the task of the PMOLCS, Leach said his group prepared a charter that required them to: identify weapon system product support functions, identify responsibility for each support function cost, and identify policy documents authorizing control; determine support functions that PMs should control to reduce life cycle cost; and determine changes needed to enable PMs to control support function costs.

Although his 912c study team has finished a working draft, he said he did not expect to have the final report to Dr. Gansler until the end of April.

The next speaker, Kratz, discussed the status of the Product Support Reengineering study and said his group was asked to focus on four areas:

• Reengineered product support based on best commercial practices.
• Competitively sourced product support.
• Expanded use of modernization through spares.
• Increased use of prime vendors and virtual prime vendors.

He said his group was given two overriding factors: You will focus on implementation, and you must come back with an executable and implementable plan. Kratz said one of the first things his group asked was, "What do we want to get to?" He said they came up with: improve customer service, improve mission-capable rates, reduce product support costs, and provide full asset visibility. The feedback generated from his group's draft has been positive.

The third panelist, Mounts, discussed the status of the Commercial Business Environment study. He said his group decided to take a "clean sheet" approach and "go outside the box." He said they looked to large commercial businesses to see how they did things. Mounts explained how they modeled their "clean sheet" approach off of a Corporate University Strategic Alignment Approach, and decided to shape their report around workforce, cultural change, strategic alignment, and delivery method.

Like a commercial business, he said they adopted the mantra of "better, faster, and cheaper." Under the heading of "better," Mounts said DoD needs to teach commercial business practices to make government a more effective team member with industry; under "faster," he said DoD needs to apply commercial business practices to improve service to "our customers"—the warfighters; and under "cheaper," DoD must improve returns on investments by implementing commercial best practices in military operations.

Ultimately, he said, like industry, DoD needs to take a bottom-line approach to managing its enterprise. Mounts said DoD needs to think of itself "as still having a bottom line similar to what industry or large enterprises in the private sector do,"

but where their "return may be to share-holders, our return, obviously, is to the taxpayer, and ... also to the warfighter."

Other items covered in their presentations included some of the important next steps of continued acquisition and logistics reform, and identification of how DoD will capitalize and expand on best practices — commercial and government — to transform weapon system support processes to meet the operational needs of warfighters in the next millennium. They also emphasized how competition, as a continuous life cycle ingredient, can provide best value support and continuous technology refreshment to increase reliability and lower weapon system costs.

After their presentations, panel members responded to questions from the attendees. Typical questions included:

- Have the comptrollers at OSD and in the Services bought into the idea of Program Manager Life Cycle Oversight (i.e., potential control)?
- Can you discuss the balance between mass CONUS push logistics vs. the just-in-time theater pull system in events such as Kosovo?
- When are we really going to change the defense working capital fund?

Saving DoD Billions

Following the first panel, participants heard James Sinnett, Vice President, Strategic Development, The Boeing Company, speak about "Using Open Systems to Enhance Product Support Reengineering." He explained how "Implementation of an Open Systems approach can save the Department of Defense and the military services literally billions of dollars, provide for technological currency, and provide dramatic improvements in warfighting capability while easing the maintenance and the support burden. Performance Based Business Environment (PBBE) provides many elements of Acquisition Reform that are directly relevant to an open systems approach.

It is important to remember that these two concepts — PBBE and Open Systems — are mutually enabling. Using these con-

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>
> **—James Sinnett**

cepts aggressively will allow us to achieve a significant reduction in total operational/total ownership cost."

He said, PBBE and Open Systems can be pervasive throughout the life cycle, and used as tools to strengthen warfighting capability. However, to capture the benefits, he said, we must all work to remove those impediments, which are our cultural residue from both the "Cold War" and the evolution of acquisition policy and practices over the past 60 years.

Ultimately, Sinnett said, DoD "must change the way it does business — that means taking some risks, being out in front to lead the charge, and being a bit counterculture."

Breakout Groups

After lunch, participants were brought back to campus where they attended one of six different breakout groups.

GROUP 1 – TRANSITIONING TO COMPETITIVELY SOURCED PRODUCT SUPPORT STRATEGIES

Co-chaired by Jerry Cothran, Chief Acquisition Logistics, Air Force, and

William Kenny, Executive Director, Procurement Management, Defense Logistics Agency, this breakout group provided a forum for discussing and obtaining feedback on the issues surrounding the implementation of weapon system-oriented competitive product support. The session oriented the Product Support community, including PMs, major commands, logistics support organizations, and industry on Section 912 concepts, as embodied in the Implementation Team Report and Competitive Sourcing Guide. Group 1 participants discussed many of the issues surrounding the implementation of weapon system-oriented product support. In particular, they discussed:

- The optimum integration of vertical (weapon system-oriented) and horizontal (commodity-oriented) support arrangements.
- The impediments and enablers facing implementation of new product support arrangements.
- Necessary planning, research, and analysis that should precede product support implementation.
- Building acquisition strategies that facilitate strategic sourcing of product support functions through implementation of intelligent public/private partnerships.
- The unique challenges of transitioning legacy systems support arrangements to the new product support concept.

GROUP 2 – INTEGRATED LOGISTICS CHAINS

Co-chaired by Connie Clavier-Bowling, Director of Acquisition Logistics (NAVSEA), and Randy Fowler, Office of the Deputy Under Secretary of Defense (Logistics Materiel and Distribution Management), this breakout group developed a working definition of integrated logistics chains that fit the DoD environment, identified the preferred DoD end state, identified major impediments, and developed required implementation actions. Discussion topics included: trade-offs among alternative end states and paths from present state to end states; a case study of a DoD organization that is imple-

menting and managing integrated logistics chains; PEO and PM roles in implementing and managing integrated logistics chains; areas of greatest potential payoff and most significant risk; and implementation impediments, issues, and required actions.

GROUP 3 — MAINTAINING AND EXPANDING THE PRODUCT SUPPORT COMPETITIVE BASE

Co-chaired by William Mounts, Director, International and Commercial Systems Acquisition and LeAntha Sumpter, Assistant Deputy Under Secretary of Defense (Acquisition Process and Policies), this group explored existing barriers to broaden participation in the DoD product support market and identified actions to overcome those barriers. In addition, they discussed topics ranging from how to leverage budget funds for systems reprocurements to how to exploit lessons learned from the Commercial Operating and Support Savings Initiative to gain access to commercial technology on a broad scale for infusion in DoD reprocurements and spares acquisitions.

GROUP 4 — IMPLEMENTING WIN-WIN PUBLIC/PRIVATE PRODUCT SUPPORT RELATIONSHIPS

Co-chaired by Army Col. Duane Brandt, Director, Army Competitive Sourcing Office and Dr. Richard Stieglitz, President, RGS Associates, Inc., this group developed a common understanding of the partnership concept, and examined DoD and commercial motives and risks applicable to long-term total product support relationships. The group also identified high-payoff opportunities for partnerships with the commercial sector, identified impediments and enablers as well as the pros and cons of proposed new approaches, and determined key implementation actions. Discussion topics ranged from "What is the operational definition of 'partnerships'?" to "How do contract type and award fees influence performance?"

GROUP 5 — PROGRAM MANAGER OVERSIGHT OF LIFE CYCLE COST SUPPORT (PMOLCS)

Co-chaired by Air Force Col. "Scoop" Cooper, Special Assistant for Total Ownership Cost and Robert Leach, Office of the Director, Systems Acquisition, this group discussed the Section 912 PMOLCS management actions including implementation time frames, expected results, enablers and inhibitors, and anticipated positive and negative externalities. Discussion topics ranged from "What are the expected results of implementing the PMOLCS management actions?" to "How long will the test program take, and who will decide if the results warrant widespread implementation within DoD?"

GROUP 6 — IMPROVING RELIABILITY, MAINTAINABILITY, AND SUSTAINABILITY THROUGH CONTINUOUS TECHNOLOGY REFRESHMENT (CTR)

Chaired by Dr. Spiros Pallas, Principal Deputy to the Director, Strategic and Tactical Systems, this group assessed the CTR contribution to reduction of total ownership cost (R-TOC), devised alternative approaches to CTR under traditional and competitive prime vendor support relationships, listed the key impediments, and developed a near-term action roadmap. Discussion topics ranged from the problems caused by dominance of closed architectures in legacy systems to transitioning from "freeze and build" management to CTR.

A New Game

After the breakout sessions, participants proceeded to the officers club for a mixer and a chance to see a variety of exhibits. After touring the exhibits, a town hall meeting on "Transforming Logistics for the 21st Century" was hosted by Roger Kallock, Deputy Under Secretary of Defense (Logistics).

Kallock began by asking the audience what areas they would like him to cover. They made suggestions like: incentives, agility, cycle time, customer service, responsiveness, parts obsolescence, battlefield logistics, and technology impact. He told the audience that the reason he was there was to make sure that the people who are defending the nation are taken care of and have the proper equipment when and where they need it.

He explained that the post-Cold War world requires DoD to change and be flexible. He likened the world today to a "new game" and explained that DoD, consistent with national strategy, is executing a full spectrum of operations. He said that projected threats are diverse and unpredictable and to deter and defeat those projected threats, logistics must support rapid response and precision strikes. "To ensure decisive victory, logistics processes must provide assured, agile sustainment."

He said DoD has a "looming crisis" because it is spending $80 billion a year on logistics, while trying to take care of and maintain old weapon systems. "We have a complex, inefficient, expensive-to-operate system that employs outdated technology." Kallock said DoD needs to move from this situation to a situation where "we have customer confidence — customers being warfighters. Confidence that the supply systems that serve them in their day-to-day business needs — defending this country — are as good or better than the supply systems they use in their ... grocery store or their automotive parts store."

Kallock said DoD must follow the customer-service lead of industry leaders to improve the system. He said he would one day like to see DoD logistics turnaround times measured in hours versus months, weeks, or days. To do this, he said DoD has set logistics leadership goals of having a sharper focus and accelerating ongoing logistics improvement initiatives and galvanizing logistics leadership to act in harmony as mutual stakeholders of a common vision.

After his speech, senior acquisition and logistics leaders joined Kallock in a discussion with the audience on what works and what does not work regarding integration efforts.

The Real Key is Training

Although the town hall meeting did not finish until after 8 p.m., participants were back at DSMC by 8 a.m. the next morning to finish discussions in their breakout groups. Once finished, the groups reunited for a panel on "Industry and

Government Views of Priced Based Acquisition."

The moderator was William Stussie, Deputy Assistant Secretary of the Navy (Air Programs); panelists included: Air Force Maj. Gen. Timothy Malishenko, Commander, Defense Contract Management Command; Terry Marlow, Vice President Government Division, Aerospace Industry Association of America, Inc.; and Karen Wilson, Vice President Government Finance and Process Excellence, Allied Signal, Inc.

"Price Based Acquisition will allow us another tool to do business," Stussie said. He gave a summary of Price Based Acquisition (PBA) by saying, "What we're focusing on is establishing prices without principal reliance on actual or estimated costs, using other things to allow us to establish prices."

Stussie went on to explain that PBA should decrease DoD and industry's infrastructure costs, eliminate the greatest barrier for commercial firms to do business with DoD, and ensure a competitive alternative for every development program.

"The real key to Price Based Acquisition is training. It's training of our workforce on how to use the tools it makes available and training of the contractors' workforce to understand it also," Stussie said.

After Stussie's introduction, the other panelists explained how PBA would help DoD increase its access to commercial technology, reduce infrastructure, and achieve better contract prices through civil-military integration and increased efficiency. They showed how there is room for both price- and cost-based acquisition depending on the circumstances of the contract, and they provided dialogue regarding government and industry's views of the Section 912c study on PBA.

The panel also discussed where DoD is in its application of PBA and addressed feedback on what the Department

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>
> **—William Stussie**

should be doing. Topics included: the relationship of PBA to the acquisition strategy; the role of market research in awarding a PBA contract; and the implications of PBA source selection, truth in negotiation, financing, value engineering, and termination for convenience.

Responding to Changes in The Work Environment

Once the panel session was over, participants ventured back to the community club for the last sessions of the workshop. Soon after all the participants settled into their seats with lunch, Vicky Farrow, Chief Learning Officer at Lucent Technologies, Inc., spoke about how public and private institutions face a similar challenge: how

to respond to changes in the work environment. She said to be successful and achieve the highest levels of performance, institutions must respond to change by initiating programs that evolve around that specific culture's behavior and ways of conducting business.

"The challenges Lucent faces are similar to those confronting any large organization ... Whether public or private, we are both seeking to respond to changes to our environments by initiating programs that change things — change our culture, our ways of doing things, our behavior." The program used to help initiate change for her company is called Lucent **GROWS** (**G**lobal Growth Mindset, **R**esults Focused, **O**bsessed with Customers and about Competitors, **W**orkplace that is Open, Supportive and Diverse, and **S**peed).

The results of "changing the way they do business" have been very positive. Farrow said that not only have customers noticed a change, but Lucent employees have as well. The change helped make 1998 one of Lucent's most successful years to date, but Farrow said, "We still have further to go."

Observations and Recommendations

Following Farrow's talk, each breakout group reported its findings to the senior leadership panel. These findings were the substance of the workshop, and represented the major issues and recommended solutions involving product support and the commercial business environment.

GROUP 1 – TRANSITIONING TO COMPETITIVELY SOURCED PRODUCT SUPPORT STRATEGIES
Observations
- Industry still sees constraints impeding full participation in product support.
- Must find right horizontal/vertical mix in product support partnerships.
- Product support requires increased information sharing.
- Culture must support rigorous business case analysis.

Recommendations

- More regulatory/legislative flexibility, communication, and policy to facilitate product support relationships.
- Empower product support managers to make vertical/horizontal integration decisions.
- Treat every product support life cycle event as an opportunity to transition legacy systems.

GROUP 2 – INTEGRATED LOGISTICS CHAINS (ILC)
Observations
- Services must determine ILC objectives and trade-offs.
- Don't assume one size fits all.
- Ensure no negative impact on warfighter.

Recommendations
- Services establish goals and objectives to enable ILC strategies.
- USD(A&T) sign memorandum requesting Services develop ILC implementation plans to be presented at the next PEO/SYSCOM conference.

GROUP 3 – MAINTAINING AND EXPANDING THE PRODUCT SUPPORT COMPETITIVE BASE
Observations
- Applying acquisition reform to reprocurements is key to affordability.
- Need for long-term partnerships with suppliers.
- Need to improve access to latest commercial technologies.

Recommendations
- Incentivize suppliers by using acquisition strategies that give contractors flexibility to innovate.
- Develop implementation plans to adopt commercial practices.
- Improve government partners' abilities to use government equipment and facilities.
- Streamline reprocurements through performance based solicitations and contracts, and pilot program preferences.

GROUP 4 – IMPLEMENTING WIN-WIN PUBLIC/PRIVATE PRODUCT SUPPORT RELATIONSHIPS
Observations
- Both contractors and government want long-term relationships.

- Need performance based specifications and metrics to define acceptable and superior performance.
- Government-contractor teaming is a plus.
- Risks must be offset with rewards.
- Learn from successes and failures.

Recommendations
- Fix fiscal roadblocks to long-term relationships.
- Issue policy, procedures, and templates for government-industry teaming.
- Improve collection and dissemination of lessons learned.

GROUP 5 – PROGRAM MANAGER OVERSIGHT OF LIFE CYCLE COST SUPPORT (PMOLCS)
Observations
- Policy and tools needed to provide total visibility into cost by weapon system.
- There are product support functions appropriate for program manager control.
- Savings will take time to realize; should be retained by program/warfighter until validated.

Recommendations
- Create and populate automated cost visibility tool.
- Plan, program, budget O&M in same manner as RDT&E and procurement.
- Apply cost reduction initiatives on case-by-case basis, with six-year test period.

GROUP 6 – IMPROVING RELIABILITY, MAINTAINABILITY, AND SUSTAINABILITY THROUGH CONTINUOUS TECHNOLOGY REFRESHMENT (CTR)
Observations
- Lack of Contracted Logistics Support incentives in government and industry due to short-term mentality.
- Both acquisition program manager and commodity manager should be equally involved.
- Little effort to balance upgrades with O&S [Operations and Support] cost reductions.
- DoD has no investment policy for Reliability, Maintainability, and Supportability improvement.

Recommendations
- More long-term price and performance based contracts.

- Base program manager control on business case to resource sponsor.
- Program manager should develop integrated cost reduction modernization plans with warfighter input.
- Develop standardized investment process with business case and training.

Change is What Makes The World Go Round

The final senior leadership panel answered questions from the audience and discussed the future of DoD acquisition.
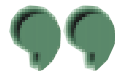
Panelists included David Oliver, Principal Deputy Under Secretary of Defense (Acquisition and Technology); Paul Hoeper, Assistant Secretary of the Army (Acquisition, Logistics, and Technology); Lee Buchanan, Assistant Secretary of the Navy (Research, Development, and Acquisition); Air Force Lt. Gen. Gregory Martin, Principal Deputy Assistant Secretary of the Air Force (Acquisition); Army Maj. Gen. Charles Cannon, Assistant Deputy Chief of Staff for Logistics; Navy Vice Adm. James Amerault, Deputy Chief of Naval Operations (Logistics); Grover Dunn, Assistant Director of Maintenance, Air Force; Marine Maj. Gen. Geoffrey Higginbotham, Deputy Chief of Staff for Installations and Logistics; and Rear Adm. E.R. Chamberlin, Deputy Director, Defense Logistics Agency.

This panel was less formal than the highly structured workshop. Panelists related real-world examples of acquisition reform and provided some comic relief with humorous anecdotes. David Oliver related a true story that happened a few months ago.

He explained how a program manager came to him and was concerned because his program was going to be cancelled. Oliver asked the PM, "Have you talked to PA&E [the Program Analysis and Evaluation Office located in the Pentagon]?" The PM said "Yes, but PA&E wanted to come and do an evaluation. It was classified, so we told them they could only send one person who couldn't take notes and all he could do was read our papers. But, he had to do it inside our vault, which is in Richmond."

> ❝ We have a complex, inefficient, expensive-to-operate system that employs outdated technology. ❞
>
> **—Roger Kallock**

After explaining the situation, the PM said to Oliver, "We don't know *why* they don't like us." Oliver said he recommended that the PM take the representative from PA&E out to dinner and open up the files and let him take notes. Ultimately, the program did not get cancelled, but Oliver said he found it hard to believe that the PM was on the verge of letting it get cancelled because he was not willing to use the best source of data available to him concerning likely cost (PA&E).

Other topics discussed included: prime vendor initiatives, performance based contracting, where to draw the red line, and Red Team data gathering. The prevailing theme the panelists relayed was that it is vital that DoD change the way it does business. Oliver closed the workshop by thanking the attendees for their participation and thanking the people who worked behind the scenes to make the workshop a success.

The next PEO/ SYSCOM Commanders' Conference is slated for Oct. 19-20 at the Defense Systems Management College main campus, Fort Belvoir, Va.

Editor's Note: Workshop presentations are available at **http://www.acq.osd. mil/dsac/confern.htm** on the DSAC Web site.

New Study Names DoD Business Practice Goals

Jacques Gansler, Under Secretary of Defense for Acquisition and Technology, has announced the publication of *Into the 21st Century: A Strategy for Affordability*. This document is the Department of Defense's blueprint for adapting to the Department's needs the best world-class business and technical practices in rationalizing infrastructure, restructuring support systems, and reducing cycle times and ownership costs while improving readiness.

Into the 21st Century: A Strategy for Affordability was produced by the Defense Systems Affordability Council (DSAC). The DSAC is the Department's forum for setting and monitoring top-level goals, objectives, and metrics. In this study, the DSAC has enumerated three top-level goals that are strategically interrelated:
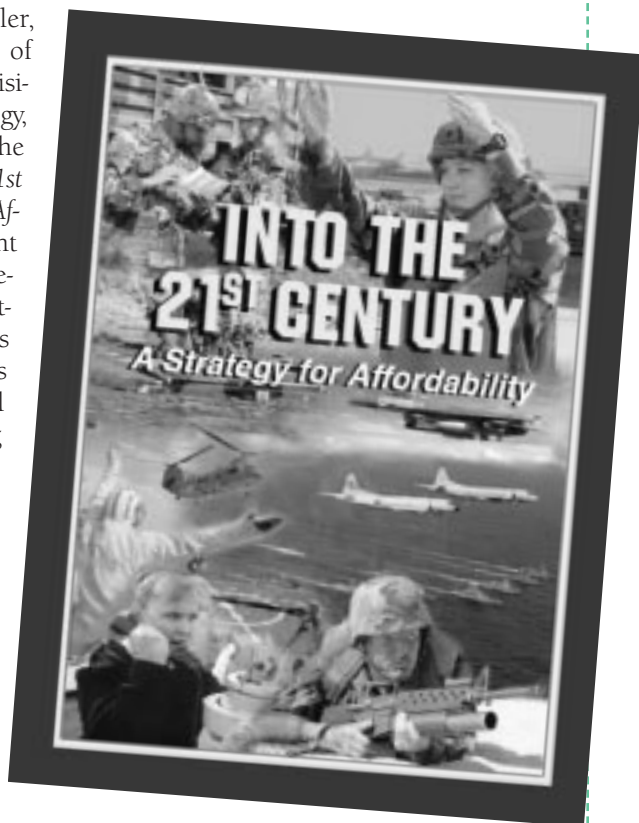
• Field high-quality defense products quickly and support them responsively — By reducing the cycle time of DoD processes for acquisition and support, this will produce cost reduction across-the-board, while improving readiness and responsiveness.

• Lower the total ownership cost of defense products — By reducing the investment cost of new systems, this will increase the purchasing power of modernization funding. It will reduce operating and support costs of fielded systems, and will make more resources available for modernization.

• Reduce overhead cost of the acquisition and logistics infrastructure — The efficiencies achieved can be reallocated for modernization or essential support.

For each goal, the strategy articulates the DSAC's enterprise-level objectives and metrics, and the major initiatives that will contribute to achieving those objectives. The strategy also challenges the Department to achieve some targets by 2005 such as cutting logistics response time to five days and lowering logistics support costs by 20 percent.

Editor's Note: This information, published April 9 by the Office of the Assistant Secretary of Defense for Public Affairs, is in the public domain at **http://www.defenselink.mil/news** on the Internet.